

February 19, 1999

Lawrence J. Reilly

President

Massachusetts Electric Company

25 Research Drive

Westborough, MA 01582

Re: Purchased Power Agreements, D.T.E. 98-62

Dear Mr. Reilly:

On July 1, 1998, the Department of Telecommunications and Energy ("Department") required each electric company to submit various information concerning each of its purchased power agreements ("PPA") pursuant to Section 193, Section 1G(d)(2)(i) of the Electric Utility Restructuring Act (Chapter 164 of the Acts of 1997) ("Act"). As required by the Act, the Department shall review PPAs in order to determine if they contain a price for electricity that is above-market as of the date of review. If, as of the date of review, a contract price is determined to be above-market, the electric company and the seller under the PPA "shall attempt to make a good-faith effort to renegotiate such contract in order to achieve further reductions in the transition charge." G.L. c. 164, § 1G(d)(2)(i). The standard of good faith "shall not require either party to agree to a proposal or require the making of concessions, but shall require active participation in negotiations and a willingness to make reasonable concessions in order to equitably mitigate stranded costs, and to provide justification for proposals, and a sincere effort to reach agreement." Id.

Further, the Act states that if an electric company has, as part of a Department-approved divestiture plan assigned such contract to a buyer having adequate financial resources, the electric company shall have met its obligations under this paragraph. Id.

In addition, if a seller under such a contract has consented to assignment of the existing contract to the buyer and has agreed to release the electric company from its obligations under such contract, the seller shall have met its obligations under the Act.

On July 31, 1998, Massachusetts Electric Company ("MECo" or "Company") submitted the requested information. On October 14, 1998, the Department requested additional information with regard to the Company's PPAs. Responses to these additional requests were provided on October 23, 1998.

As demonstrated in the filings, MECo terminated its all-requirements contract with New England Power Company ("NEP") and noted that it has no PPAs affected by the Restructuring Act. Notwithstanding, MECo reports that NEP has transferred its obligations under its PPAs to USGen New England ("USGenNE") as part of its divestiture approved in New England Power Company, D.T.E. 97-94. MECo contends that this transfer, which transfers the economic risks and benefits of the PPAs to USGenNE, should be seen as a qualifying "assignment" of the PPAs as referenced by the Restructuring Act. Based on the foregoing, we find that MECo has demonstrated an attempt to make a good-faith effort to renegotiate its above-market PPAs, or has otherwise met its obligations within the meaning of G.L. c. 164, § 1G(d)(2)(i). As required by the Act, the Company shall report to the Department any change in the status of its PPAs within 30 days.

Sincerely,

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Janet Gail Besser, Chair

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James Connelly, Commissioner

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W. Robert Keating, Commissioner

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Paul B. Vasington, Commissioner

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Eugene J. Sullivan, Jr., Commissioner

cc: George B. Dean, Esq.

Thomas G. Robinson, Esq.